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**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning Energy
Efficiency Rolling Portfolios, Policies, Programs,
Evaluation, and Related Issues.

R.13-11-005
(Filed November 14, 2013)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS TO
ALJ RULING SEEKING COMMENTS ON EVALUATION, MEASUREMENT, AND
VERIFICATION AND ENERGY SAVINGS PERFORMANCE INCENTIVE ISSUES**

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I.

INTRODUCTION

Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), and in compliance with the Ruling of Administrative Law Judge (ALJ) Seeking Comments on Evaluation, Measurement, and Verification and Energy Savings Performance Incentive Issues (Ruling), Southern California Edison (SCE) respectfully submits these reply comments to various parties’ opening comments on Staff’s proposal on evaluation, measurement, and verification (EM&V) issues.¹

¹ In addition to SCE, the following parties filed opening comments to the Ruling issued on June 8, 2016: Association of Bay Area Governments (ABAG), on behalf of the San Francisco Bay Area Regional Energy Network (BayREN), the National Association of Energy Service Companies (NAESCO), San Diego Gas and Electric (SDG&E) and Southern California Gas Company (SoCalGas), Robert Mowris and Associates (RMA), Pacific Gas and Electric Company (PG&E), Marin Clean Energy (MCE), CodeCycle LLC, California Energy Efficiency Industry Council (Efficiency Council), Office of Ratepayer Advocates (ORA), National Resources Defense Council (NRDC), and Home Energy Analytics (HEA).

II.

DISCUSSION

A. The Commission Should Not Adopt ORA's Recommendation to Cap EM&V Administrative Costs at Ten Percent

ORA recommends that a ten percent cap be placed on Investor Owned Utility (IOU) EM&V administrative costs.² As a basis for this recommendation, ORA states that “administrative costs for current IOU EM&V administrators are orders of magnitude greater than comparable costs for Commission staff’s administrative activities for EM&V and appear to indicate considerable redundancy and/or waste on the part of IOU EM&V administration.”³ SCE does not agree with ORA’s assertions because the cost comparison is not an “apples to apples” comparison, and ORA does not account for the additional work performed by the IOUs’ EM&V staff that are not performed by Commission staff. The roles and responsibilities of IOU EM&V staff include, but are not limited to, the following functions:

- Manage studies (process, market, “early EM&V”, Industry Standard Practice (ISP), etc.) that lead to associated costs of contract and research management.
- Work with the program design and implementation teams in developing new programs, including: design, ideation, development, logic modelling, and planning for program evaluability.
- Perform the liaison function between the Study Consultants, Commission staff or their consultant EM&V leads, and the IOU Program Staff in facilitating the feedback loop of EM&V interim and final results for the purposes of improving program performance, responding to reports (RTRs), and supporting forward-looking corrections to utility programs and portfolios.

² ORA Opening Comments, pp. 8-10.

³ *Id.* at p. 8.

- Work with the engineering teams to incorporate research findings into savings estimates for new and existing measure.
- Collaborate with Commission staff on their extensive research, including being responsive to data requests.

The majority of these EM&V activities are unique to the IOUs and are not performed by the Commission staff. Regarding ORA's proposal of having a single staff member representing all IOUs, the IOUs already have a long-standing practice of pooling technical staff and studying budget resources where feasible to deliver joint reviews and comments, and managing or collaborating on statewide studies where such a practice is appropriate. However, in many instances each IOU should have a qualified representative for EM&V activities to provide input and feedback in considering study implications that are unique to their constituent programs, service territory, and customers. These types of trained professional activities are distinguishably different from administrative duties such as invoice processing and contract management.

These IOU EM&V activities are essential to support the quality, accuracy, actionability, and timeliness of all EM&V studies. An arbitrary 10 percent cap, without properly defining administrative costs, could take away the deliberately designed flexibility for research planning that enables IOUs to respond to program and portfolio changes, and to support new program ideas and EM&V support needs as they arise, which will be essential with the efforts in the near term to increase EE savings (e.g., High Opportunity Program/Project proposals, pilot programs EM&V). Therefore, the Commission should reject ORA's proposal to cap EM&V administrative costs at ten percent. However, if the Commission determines the need to cap EM&V administrative costs, the Commission should first clearly define the composition of administrative costs for EM&V that can be consistently applied and tracked for all Commission staff and PA EM&V costs.

B. Additional Guidance is Needed Regarding the Evaluation of Regional Energy Network Programs

ABAG, on behalf of BayREN, proposed that different EM&V analysis be conducted on REN programs.⁴ As SCE proposed in its opening comments to the Ruling of Administrative Law Judge Requesting Comments Re Regional Energy Networks, additional data is needed to evaluate the effectiveness of REN programs.⁵ SCE generally supports the development of metrics to understand the value of non-resource benefits provided by REN programs, how these programs improve and complement other PAs' programs, and to assess whether there are potential cost savings opportunities that could be realized by combining existing REN and IOU programs. A Commission decision addressing this topic is expected to be issued in August 2016, therefore it may be premature to address evaluation criteria or funding levels for REN EM&V work prior to the issuance of this decision.

C. SCE Supports NRDC's Recommendation for an Independent Evaluation of EM&V

NRDC recommends that the Commission conduct an independent review of the EM&V efforts, specifically to review effectiveness relative to goals, administrative efficiency, comparison to best practices, options to modify the current system, and other issues.⁶ While SCE supports the review of the overall EM&V efforts, SCE recommends that such a review should focus on providing new guidelines for effective EM&V for valuing new energy efficiency (EE) programs to meet current policy needs. To that end, SCE has proposed the development of a whitepaper that would address the need for refreshing the EM&V Framework to support the evolving nature of the State's EE programs. SCE recommends the development of this whitepaper be approved, which will be critical to meet these needs.

⁴ ABAG/BayREN Comments, p. 3.

⁵ SCE Comments to the Ruling of Administrative Law Judge Requesting Comments Re Regional Energy Networks, pp. 2-3.

⁶ NRDC Comments, p. 2.

III.

CONCLUSION

SCE appreciates the opportunity to provide these reply comments to various parties' opening comments regarding the Ruling of Administrative Law Judge (ALJ) Seeking Comments on Evaluation, Measurement, and Verification and Energy Savings Performance Incentive Issues.

Respectfully submitted,

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